

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of California-American Water Company (U 210 W) for an Order Authorizing it to Increase its Rates for Water Service in its Los Angeles District to Increase Revenues by \$2,020,466 or 10.88% in the Year 2007; \$634,659 or 3.08% in the Year 2008; and \$666,422 or 3.14% in the Year 2009.

Application 06-01-005
(Filed January 9, 2006)

**ADMINISTRATIVE LAW JUDGE'S RULING
REGARDING CALIFORNIA-AMERICAN WATER COMPANY'S
APRIL 10, 2006 MOTION TO BIFURCATE PROCEEDING**

This ruling responds to California-American Water Company's (Cal-Am's) April 10, 2006 motion by (1) requesting Cal-Am address by April 17, 2006 in a supplemental filing the issue of adequate customer notice of its application, (2) shortening time for responses to the motion and supplemental filing from April 25, 2006 to April 21, 2006, and (3) requesting all interested parties, including Cal-Am, to address whether shifting the entire proceeding to Cal-Am's newly proposed schedule would be more efficient and address due process concerns raised at last week's public participation hearings (PPHs).

At the PPHs in Los Angeles on April 5 and 6, 2006, Cal-Am stated it intends to withdraw its rate design proposal and file a new conservation rate design that it has not yet developed. At the PPH for the Duarte subsystem, the Duarte city attorney stated he preferred that Cal-Am modify its rate design by a formal amendment that triggers new time frames in and of itself. Cal-Am

expressed concern that it did not want to restart the process as that could delay a final decision in the case; Cal-Am instead proposed bifurcating the proceeding to consider the rate design under a later schedule. The undersigned administrative law judge (ALJ) requested Cal-Am provide the specifics of its proposal, and its justification for using this procedure, in a filing by April 10, 2006.

At the PPH for the Baldwin Hills subsystem, public citizens expressed concern that Cal-Am had not provided them adequate notice and information on what Cal-Am now requests.

In its April 10, 2006 motion, Cal-Am proposes to proceed on the current schedule for consideration of its overall revenue requirement and all revenue requirement issues for the Los Angeles District. It requests the Commission bifurcate the proceeding to consider rate design issues, proposes an overlapping schedule for the new rate design it intends to file on May 3, 2006, and requests the Commission order that the final rate design be applied to rates in the Los Angeles district retroactive to January 1, 2007. In addressing its justification, Cal-Am states on page 1 of its motion that “bifurcating the issues in this case is reasonable, and, because rate design is generally revenue neutral, any change in the revenue requirements for the individual districts would be minimal.”

The customer notices provided by Cal-Am, attached here as Appendices A and B, do not include the overall revenue requirement increases being requested as a dollar and percentage amount. This raises a question as to whether the Commission can proceed under the current schedule to consider the overall revenue requirement increase given the customer notice requirements of Public Utilities Code Section 454(a) and Rule 24 of the Commission’s “Rules of Practice and Procedure.” Cal-Am should address this legal issue in a supplemental filing by April 17, 2006.

In responding to Cal-Am's motion and supplemental filing, parties, including Cal-Am, should discuss alternative ways for the Commission to proceed. In particular, parties should address whether it would be more efficient, and address the due process concerns raised at the PPHs, for the Commission to shift the entire proceeding to the new schedule proposed by Cal-Am on page 6 of its motion. In shifting to this schedule, we recognize that additional time would need to be provided in the schedule for hearings and preparation of briefs if a full settlement was not reached prior to July 25, 2006.

To allow for timely resolution of Cal-Am's motion, we should shorten time for response from April 25, 2006 to April 21, 2006.

For good cause shown, this Ruling also grants the March 28, 2006 Petition to Intervene filed by the Utility Workers Union of America, AFL-CIO.

Therefore, **IT IS RULED**, that:

1. By April 17, 2006, Cal-Am shall address by supplement filing whether the customer notice requirements of Public Utilities Code Section 454(a) and Rule 24 of the Commission's "Rules of Practice and Procedure" have been met.
2. The time for responses to Cal-Am's motion and April 17 supplemental filing is shortened from April 25, 2006 to April 21, 2006.
3. Parties responding to Cal-Am's motion, including Cal-Am, shall address whether shifting the entire proceeding to Cal-Am's newly proposed schedule would be more efficient and address due process concerns raised at the public participation hearings.

4. The Petition to Intervene filed on March 28, 2006 by the Utility Workers Union of America, AFL-CIO is granted.

Dated April 13, 2006, at San Francisco, California.

/s/ CHRISTINE M. WALWYN
Christine M. Walwyn
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling Regarding California-American Water Company's April 10, 2006 Motion to Bifurcate Proceeding on all parties of record in this proceeding or their attorneys of record.

Dated April 13, 2006, at San Francisco, California.

/s/ ELVIRA NIZ

Elvira Niz

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.